



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
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WILLIAM T FUJIOKA  
Chief Executive Officer

October 14, 2008

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**AZUSA REDEVELOPMENT AGENCY REQUEST FOR SUBORDINATION  
OF PASS-THROUGH PAYMENTS TO COUNTY TAXING ENTITIES  
ON THE MERGED REDEVELOPMENT PROJECT  
(SUPERVISORIAL DISTRICT 1)  
(3 VOTES)**

**SUBJECT**

The City of Azusa Redevelopment Agency ("Agency") requests the subordination of pass-through payments to County taxing entities on the Merged Redevelopment Project (the "Project"). According to Community Redevelopment Law (CRL) the Agency is required to submit evidence that adequate funds will be available in future years to pay the bond payments and the required pass-through payments to the taxing entities.

**JOINT RECOMMENDATION OF THE CHIEF EXECUTIVE OFFICER AND THE  
ACTING DIRECTOR OF PUBLIC WORKS THAT YOUR BOARD:**

Approve a Resolution subordinating the County of Los Angeles' and the Flood Control District's right to receive pass-through payments from the Agency's Merged Redevelopment Project to the Agency's 2008 tax allocation bonds (the "2008 Bonds").

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

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### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On June 26, 2008, the Agency adopted the Project as Ordinance No. 08-09. The Agency is preparing to issue the 2008 Bonds for the purpose of financing a portion of redevelopment activities. The subordination is required by law based on a timely agency request and showing that sufficient funds to pay both debt service and pass-through payments to affected taxing agencies will be available when payments are due. The County received the subordination request from the Agency on September 5, 2008.

### **Implementation of Strategic Plan Goals**

This action supports Fiscal Responsibility (Goal 4), of the County Strategic Plan to strengthen the County's fiscal capacity.

### **FISCAL IMPACT/FINANCING**

Health and Safety Code Section 33607.5(e) provides that pass-through payments to taxing entities may be subordinated to a redevelopment agency's payments for debt service. The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the agency will not be able to pay both the debt service payments and the pass-through payments to the affected taxing entities. The Agency's tax increment projections, reviewed by this Office, indicate that there will be sufficient coverage to satisfy the debt service on the 2008 Bonds and the required pass-through payments to the taxing entities.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Section 33607.5(e)(3) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." Failure to act within 45 days after receipt of the agency's request (in this case, October 20, 2008) constitutes County approval of the agency's request to subordinate to the bonds. County Counsel indicates that approving subordination to the bonds by express resolution is preferable to failing to take action within 45 days.

### **IMPACT ON CURRENT SERVICES**

This amendment will not impact current County services.

The Honorable Board of Supervisors  
October 14, 2008  
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**CONCLUSION**

At such time as the recommendation is approved by your Board, please return one copy of this letter and Resolution to the Chief Executive Office, Community and Municipal Services Cluster, and one copy of the letter and Resolution to the Auditor-Controller, Tax Division, and one copy of the letter and Resolution to the Department of Public Works, Administrative Services Division.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer



DEAN D. EFSTATHIOU  
Acting Director of Public Works

WTF:DDE  
LS:DSP:RTM:ib

Attachment

-cc: Auditor-Controller  
County Counsel  
Chief Financial Officer, Redevelopment Agency of the City of Azusa

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF  
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO  
RECEIVE PASS-THROUGH PAYMENTS TO THE CITY OF AZUSA  
REDEVELOPMENT AGENCY OF THE CITY OF AZUSA MERGED  
REDEVELOPMENT PROJECT**

**WHEREAS**, the City Council of the City of Azusa on June 26, 2008 adopted Ordinance No. 08-09 that approved the Redevelopment Plan for the Merged Redevelopment Project (the "Project"); and

**WHEREAS**, the County of Los Angeles ("County") received a letter on September 5, 2008 from the City of Azusa Redevelopment Agency (the "Agency") advising its intention to issue tax allocation bonds in 2008 (the "2008 Bonds") payable from and secured by a pledge of certain Project tax increment revenues, and requested of the County, and the Los Angeles County Flood Control District ("Flood") (collectively "Taxing Entities") that any and all payments which the Taxing Entities are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Project be subordinated to the Agency's payments of principal and interest on the 2008 Bonds; and

**WHEREAS**, the requested subordination does not lessen or eliminate the Agency's obligation to make the required payments to the Taxing Entities under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its bonds and thus lower the Agency's financing costs; and

**WHEREAS**, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it, prior to the agency incurring any bonded indebtedness, and the agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

**WHEREAS**, the Agency has presented evidence demonstrating its ability to make the required payments to the Taxing Entities after payment of debt service on the 2008 Bonds.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Supervisors of the County of Los Angeles that:

The County and Flood hereby agree that so long as the 2008 Bonds remain outstanding, any and all payments which the Taxing Entities are entitled to receive from the Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Project to pay the principal of and interest on the 2008 Bonds.

Subordinate the County's Right to Receive  
Pass-Through Payments to the City of  
Azusa Merged Redevelopment Project  
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The foregoing resolution was on the \_\_\_\_ day of October 2008, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI, Executive Officer-Clerk of  
the Board of Supervisors of the County of  
Los Angeles

By \_\_\_\_\_  
Deputy

APPROVED AS TO FORM

RAYMOND G. FORTNER, JR.  
County Counsel

By \_\_\_\_\_  
THOMAS M. TYRRELL  
Principal Deputy County Counsel